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Legislative Document

No. 31

S.P. 20

In Senate, January 15, 2013

**An Act To Increase Gaming Opportunities for Charitable Fraternal
and Veterans' Organizations**

Reference to the Committee on Veterans and Legal Affairs suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator PATRICK of Oxford.
Cosponsored by Representative BRIGGS of Mexico and
Senators: JACKSON of Aroostook, TUTTLE of York, Representatives: BEAULIEU of
Auburn, CAMPBELL of Newfield, CAREY of Lewiston, GILBERT of Jay, HERBIG of
Belfast, THERIAULT of Madawaska.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 8 MRSA §1001, sub-§5-C** is enacted to read:

3 **5-C. Charitable nonprofit organization.** "Charitable nonprofit organization"
4 means a fraternal beneficiary society, order or association exempt from taxation under the
5 United States Internal Revenue Code, Section 501(c)(8), a domestic fraternal society,
6 order or association exempt from taxation under the United States Internal Revenue
7 Code, Section 501(c)(10) or a veterans' organization exempt from taxation under the
8 United States Internal Revenue Code, Section 501(c)(19).

9 **Sec. 2. 8 MRSA §1001, sub-§13-A** is enacted to read:

10 **13-A. Eligible organization.** "Eligible organization" means a charitable nonprofit
11 organization that:

12 A. As of October 1, 2013 has been conducting gaming under Title 17, chapter 13-A
13 or 62 for at least 2 consecutive years; and

14 B. Has owned or leased for a minimum of 2 consecutive years the premises that
15 serve as the primary location of the organization's administrative operations, which
16 are located in a municipality in which the voters have approved in a referendum
17 election the operation of slot machines by a charitable nonprofit organization.

18 **Sec. 3. 8 MRSA §1011, sub-§2-C** is enacted to read:

19 **2-C. Organizations eligible for slot machine operator license.** Beginning January
20 1, 2014, the board may accept an application for a license to operate slot machines from
21 an eligible organization. The application process is governed by this subsection.

22 A. The eligible organization shall submit an application demonstrating that it is a
23 charitable nonprofit organization eligible for a license to operate slot machines. A
24 refundable administrative deposit of \$5,000 must accompany the application. The
25 eligible organization must:

26 (1) Demonstrate that a majority of the revenue, after deductions for reasonable
27 expenses, generated from gaming conducted under Title 17, chapter 13-A or 62
28 has been used for the charitable purpose of the eligible organization;

29 (2) Demonstrate that the premises on which the slot machines will be operated
30 have been owned or leased for at least 2 consecutive years and serve as the
31 primary location of the organization's administrative operations and are located in
32 a municipality in which the voters have approved in a referendum election the
33 operation of slot machines by a charitable nonprofit organization;

34 (3) Demonstrate that it has at least \$2,000 in cash reserved in a segregated
35 account for each slot machine the eligible organization intends to operate if
36 issued a license; and

37 (4) Meet other criteria established by the board pursuant to rule regarding the
38 licensing and operation of slot machines, including, but not limited to, a
39 requirement that the eligible organization identify and submit to the board a list

1 of the charitable purposes for which the revenue from the operation of the slot
2 machines will be used.

3 B. The board may not issue a license to an eligible organization unless that eligible
4 organization demonstrates compliance with the qualifications and requirements of
5 sections 1016 and 1019 and demonstrates that there is no other electronic video
6 machine or similar machine, as defined by Title 17, section 1831, on the premises
7 where the slot machines will be operated. As used in this paragraph, "electronic
8 video machine or similar machine" does not include a machine that dispenses
9 preprinted lucky seven or similar sealed tickets that the eligible organization is
10 licensed to sell under Title 17, chapter 62.

11 C. If at any time the number of applications received by the board exceeds the
12 number of slot machine licenses that may be granted pursuant to section 1020,
13 subsection 3, paragraph D, the board may use a lottery system, as developed by rule,
14 to determine the order in which the applications will be considered.

15 D. Prior to January 1, 2014, an eligible organization that seeks to obtain a license to
16 operate slot machines may file a declaration of intent with the board, accompanied by
17 a \$250 fee. The declaration of intent must include the following:

18 (1) The name and address of the treasurer of the eligible organization and the
19 name of at least one official on the governing board of the eligible organization
20 who will submit the application to the board;

21 (2) The deed, rental agreement or lease agreement for the premises where the
22 eligible organization intends to operate the slot machine;

23 (3) State and federal tax returns of the eligible organization for the immediately
24 prior 2 calendar years; and

25 (4) Copies of disposition of funds reports from the operation of games of chance
26 or beano conducted by the eligible organization for the immediately prior 2
27 calendar years.

28 This paragraph is repealed January 1, 2014.

29 **Sec. 4. 8 MRSA §1011, sub-§4**, as amended by PL 2005, c. 663, §6, is further
30 amended to read:

31 **4. Requirement for license; agreement with municipality where slot machines**
32 **are located.** A Except for a slot machine operator who is an eligible organization, a slot
33 machine operator shall enter into an agreement with the municipality where the slot
34 machine operator's slot machines are located that provides for revenue sharing or other
35 compensation, including, but not limited to, a provision requiring the preparation, in
36 conjunction with the municipality, of a security plan for the premises on which the slot
37 machines are located. The revenue-sharing agreement must provide for a minimum
38 payment to the municipality of 3% of the net slot machine income derived from the
39 machines located in the municipality.

40 **Sec. 5. 8 MRSA §1016, sub-§1, ¶D**, as amended by IB 2009, c. 2, §33, is further
41 amended to read:

1 D. In the case of a person who is not an eligible organization applying to be a slot
2 machine operator or casino operator, the person has sufficient knowledge and
3 experience in the business of operating slot machines or casinos to effectively operate
4 the slot machine facilities or casino to which the license application relates in
5 accordance with this chapter and the rules and standards adopted under this chapter;

6 **Sec. 6. 8 MRSA §1016, sub-§3**, as enacted by PL 2003, c. 687, Pt. A, §5 and
7 affected by Pt. B, §11, is amended to read:

8 **3. Applicant other than individual.** If the person, other than an eligible
9 organization, required to meet the minimum qualifications and suitability requirements
10 specified in subsections 1 and 2 is a business organization, the key executives, directors,
11 officers, partners, shareholders, creditors, owners and associates of the person must meet
12 the suitability requirements specified in subsection 2. For an eligible organization
13 required to meet the minimum qualifications and suitability requirements specified in
14 subsections 1 and 2, at least 2 officers of the governing board of the eligible organization,
15 of whom one is the treasurer, must meet the suitability requirements specified in
16 subsection 2.

17 **Sec. 7. 8 MRSA §1017, sub-§1-A** is enacted to read:

18 **1-A. Exception for eligible organization.** Notwithstanding the requirements of
19 subsection 1 regarding about whom the information must be supplied, an application
20 submitted by an eligible organization must include the information required by subsection
21 1 for at least one officer with decision-making authority in the eligible organization and
22 the treasurer of the eligible organization.

23 **Sec. 8. 8 MRSA §1018, sub-§1**, as amended by PL 2011, c. 417, §4, c. 469, §5
24 and c. 585, §§5 and 6, is further amended to read:

25 **1. Fees.** The application fee for a license and the annual fee for a registered slot
26 machine or table game under this chapter are as set out in this subsection.

27 A. Except for slot machines operated as part of a training and education program as
28 provided by section 1011, subsection 1-B, the initial registration fee for a registered
29 slot machine is \$100. The annual renewal fee is \$100 for each registered slot
30 machine.

31 A-1. Except for table games operated as part of a training and education program as
32 provided by section 1011, subsection 1-B, the initial registration fee for a registered
33 table game is \$100. The annual renewal fee is \$100 for each registered table game.

34 B. The initial application fee for a slot machine distributor license is \$200,000. The
35 annual renewal fee is \$75,000.

36 B-1. The initial application fee for a table game distributor license is \$5,000. The
37 annual renewal fee is \$1,000.

38 C. ~~The~~ Except as provided in paragraph C-2, the initial application fee for a slot
39 machine operator license is \$200,000. ~~The, and the~~ annual renewal fee is \$75,000
40 plus an amount, set by rules of the board, equal to the cost to the board of licensing

1 slot machine operators and determined by dividing the costs of administering the slot
2 machine operator licenses by the total number of slot machine operators licensed by
3 the board.

4 C-1. The initial application fee for a casino operator license is \$225,000, except that
5 the initial application fee for an applicant that is a commercial track that was licensed
6 to operate slot machines as of January 1, 2011 is \$25,000. The annual renewal fee is
7 \$80,000 plus an amount, set by rules of the board, equal to the cost to the board of
8 licensing casino operators and determined by dividing the costs of administering the
9 casino operator licenses by the total number of casino operators licensed by the
10 board. In addition, a casino operator shall pay an initial gaming table fee of \$100,000
11 for the privilege to operate each gaming table for a period of 20 years as long as the
12 casino operator is licensed. Each gaming table is also subject to an annual gaming
13 table renewal fee of \$1,000. The gaming table fees authorize the casino operator to
14 conduct any authorized table game at the gaming table during the 20-year period. A
15 casino licensed in accordance with section 1011, subsection 2-A, paragraph A is not
16 required to pay the gaming table fees until after one calendar year of table game
17 operation. Fees collected in accordance with this paragraph must be deposited to the
18 Gambling Control Board administrative expenses Other Special Revenue Funds
19 account, which is a nonlapsing dedicated account.

20 C-2. The initial application fee for a slot machine operator license for an eligible
21 organization is \$1,000. The annual renewal fee is \$350.

22 D. The annual application fee for a license for a gambling services vendor is \$2,000.

23 E. The initial application fee for an employee license under section 1015 is \$250.
24 The annual renewal fee is \$25.

25 In addition to the application fee for a license or annual fee for a registered slot machine
26 or table game, the board may charge a one-time application fee for a license or
27 registration listed in paragraphs A to C-1, D and E in an amount equal to the projected
28 cost of processing the application and performing any background investigations. If the
29 actual cost exceeds the projected cost, an additional fee may be charged to meet the actual
30 cost. If the projected cost exceeds the actual cost, the difference may be refunded to the
31 applicant. All fees collected pursuant to this section must be deposited directly to the
32 Administrative Expenses Other Special Revenue Funds account, which is a dedicated
33 nonlapsing account within the Gambling Control Board, except that \$25,000 of the
34 annual renewal fee for a slot machine operator or casino operator must be deposited to the
35 Gross Slot Income Other Special Revenue Funds account within the Gambling Control
36 Board to be transferred to the municipality in which the slot machine facility or casino is
37 operated, in accordance with subsection 2. All application and registration fees are
38 nonrefundable and are due upon submission of the application.

39 **Sec. 9. 8 MRSA §1019, sub-§6**, as amended by PL 2011, c. 417, §5, is further
40 amended to read:

41 **6. Proximity of licensed casinos and slot machine facilities.** A Except for a
42 license issued to an eligible organization to operate slot machines, a casino operator
43 license or slot machine operator license may not be issued under this chapter to operate
44 any casino or slot machine facility located within 100 miles of a licensed casino or slot

1 machine facility. This subsection does not prohibit a commercial track that was licensed
2 to operate slot machines on January 1, 2011 from obtaining a casino operator license for
3 the same facility where slot machines were operated as of January 1, 2011.

4 **Sec. 10. 8 MRSA §1019, sub-§7**, as amended by PL 2011, c. 417, §6, is further
5 amended to read:

6 **7. Statewide and county referendum; municipal vote.** After January 1, 2011, ~~any~~
7 a proposed casino or slot machine facility may not be issued a license unless it has been
8 approved by a statewide referendum vote and a vote of the municipal officers or
9 municipality in which the casino or slot machine facility is to be located, except that a
10 commercial track licensed to operate slot machines on January 1, 2011 is only required,
11 as a condition to obtain a casino license, to receive approval to operate a casino by means
12 of a referendum of the voters of the county in which the commercial track is located.
13 This subsection does not apply to the issuance of a license to an eligible organization to
14 operate slot machines under section 1011, subsection 2-C.

15 **Sec. 11. 8 MRSA §1019, sub-§§8 and 9** are enacted to read:

16 **8. Maintenance contract required for eligible organization licensed to operate**
17 **slot machines.** An eligible organization licensed to operate slot machines in accordance
18 with this chapter shall enter into a contract with a licensed slot machine distributor or,
19 with approval of the board, a 3rd party for the maintenance of slot machines.

20 **9. Segregated account for net slot machine income distribution by eligible**
21 **organization.** In accordance with rules established by the board, an eligible organization
22 licensed to operate slot machines in accordance with this chapter shall establish a
23 segregated account for the deposit of net slot machine income as required by section
24 1036, subsection 2-D. The board may require that the segregated account for the deposit
25 of net slot machine income include authorization for the board to make withdrawals to
26 ensure compliance with the distributions required by section 1036, subsection 2-D.

27 **Sec. 12. 8 MRSA §1020, sub-§2, ¶G**, as enacted by PL 2003, c. 687, Pt. A, §5
28 and affected by Pt. B, §11, is amended to read:

29 G. Must have a minimum average daily aggregate payback percentage of 89%
30 computed for all slot machines operated at each slot machine facility on a weekly
31 basis. A slot machine operated by an eligible organization must have a minimum
32 average daily aggregate payback percentage of 80% computed for all slot machines
33 operated on the premises of each eligible organization on a weekly basis; and

34 **Sec. 13. 8 MRSA §1020, sub-§3**, as amended by PL 2011, c. 585, §8, is further
35 amended to read:

36 **3. Limits on total slot machines.** The board shall determine the number of slot
37 machines to be registered in the State. The board shall make this determination based
38 upon the minimum net slot machine income, when distributed pursuant to section 1036,
39 necessary to maintain the harness horse racing industry in this State, except that:

1 A. Except for slot machines used for training and educational purposes at
2 postsecondary institutions as provided by section 1011, subsection 1-B, the total
3 number of slot machines registered in the State may not exceed ~~3,000~~ 3,250; ~~and~~

4 B. A slot machine operator may not operate more than 1,500 slot machines at any
5 one commercial track and a casino operator may not operate more than 1,500 slot
6 machines at a casino;

7 C. An eligible organization licensed in accordance with this chapter may not operate
8 more than 5 slot machines on the licensed premises of that eligible organization; and

9 D. Until January 1, 2015, the total number of slot machines operated by all eligible
10 organizations licensed in accordance with this chapter may not exceed 100.
11 Beginning January 1, 2015, the total number of slot machines operated by all eligible
12 organizations licensed in accordance with this chapter may not exceed 250.

13 **Sec. 14. 8 MRSA §1031-A** is enacted to read:

14 **§1031-A. Eligible organization; age limit on slot machine use; play limited to**
15 **members and guests; access by minors; credit prohibited**

16 Notwithstanding the provisions of section 1031, the following provisions apply to the
17 operation of slot machines by an eligible organization.

18 **1. Minimum age.** An eligible organization may not permit a person under 21 years
19 of age to play a slot machine.

20 **2. Play limited to members and guests.** When slot machines are operated, there
21 must be one member of the eligible organization present for every 2 nonmembers present.

22 **3. Placement of slot machines.** A slot machine operated by an eligible organization
23 may be located only on the premises of that eligible organization. Slot machines may be
24 placed only in an area from which persons under 21 years of age are prohibited except
25 during events when slot machines are not operational.

26 **4. Credit prohibited.** An eligible organization may not allow a person to use a
27 credit card or debit card to play a slot machine.

28 **Sec. 15. 8 MRSA §1035**, as amended by PL 2011, c. 585, §10, is further amended
29 to read:

30 **§1035. Location of slot machines**

31 Slot machines may be located only on the premises of an eligible organization
32 licensed in accordance with this chapter, the premises of a commercial track, the premises
33 of a casino or the premises of an accredited postsecondary institution for the purposes of
34 training and education under section 1011, subsection 1-B. For the purposes of this
35 section, "premises of a commercial track" means property owned by the person who owns
36 the property on which a commercial track is located and that is either within 200 feet of
37 the outside edge of the racing oval or, if the commercial track was owned by a

1 municipality when a license to operate slot machines in association with that commercial
2 track was issued, within 2,000 feet of the center of the racing oval.

3 **Sec. 16. 8 MRSA §1036, sub-§2-D** is enacted to read:

4 **2-D. Distribution of slot machine income from eligible organization.** An eligible
5 organization shall collect and distribute 30% of net slot machine income from slot
6 machines operated by the eligible organization to the board for distribution by the board
7 as follows:

8 A. Ten percent of the net slot machine income must be deposited to the Gambling
9 Control Board administrative expenses Other Special Revenue Funds account, which
10 is a nonlapsing dedicated account;

11 B. Eight percent of the net slot machine income must be deposited to the General
12 Fund;

13 C. Two percent of the net slot machine income must be credited to the Gambling
14 Addiction Prevention and Treatment Fund established by Title 5, section 20006-B;
15 and

16 D. Ten percent of the net slot machine income must be forwarded directly to the
17 municipality where the slot machines are located.

18 Net revenue from the operation of slot machines by eligible organizations after the
19 distributions required in paragraphs A to D must be used to support the charitable
20 purposes identified to the board under section 1011, subsection 2-C, paragraph A, except
21 that the net revenue may be used to pay compensation and defray expenses in the same
22 manner as prescribed for revenue from games of chance by Title 17, section 1838.

23 SUMMARY

24 This bill permits the Gambling Control Board, beginning January 1, 2014, to issue a
25 license to a charitable nonprofit organization that is a fraternal organization or a veterans'
26 organization that is tax-exempt under the federal Internal Revenue Code to operate up to
27 5 slot machines on premises that are owned or leased by the organization, serve as its
28 primary headquarters for fulfilling its charitable mission and are located in a municipality
29 that has, by referendum of the voters, approved the operation of slot machines in that
30 municipality. The organization must be able to demonstrate that it has a cash reserve of
31 \$2,000 for each machine the organization intends to operate. An organization that wishes
32 to apply prior to January 1, 2014 may file a declaration of intent to apply with the
33 Gambling Control Board. An application must include a refundable \$5,000 deposit. The
34 initial application fee for a slot machine operator license is \$1,000, and the annual
35 renewal fee is \$350. A slot machine operated by a charitable nonprofit organization is
36 subject to the same central site monitoring that applies to casinos and slot machine
37 facilities at harness racing tracks. The total number of slot machines allowed to be
38 operated by charitable nonprofit organizations statewide is 250. Ten percent of the net
39 slot machine income is required to be deposited directly with the Gambling Control
40 Board for administrative expenses; 8% goes directly to the General Fund; 10% goes to
41 the host municipality; and 2% is dedicated to gambling addiction prevention and

1 treatment. A charitable nonprofit organization that is licensed to operate slot machines is
2 required to establish a separate account, from which the board may withdraw funds to
3 distribute the net revenue percentages. The remaining revenue generated from the slot
4 machines must be used to support the charitable purposes of the fraternal organization or
5 veterans' organization.